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10 May 1974

MEMORANDUM FOR: Mr. Claus W. Ruser
Deputy Director, Policy Planning Staff
Room 7212 A
New State

SUBJECT : CIA Contribution to NSSM 200

The attached CIA contribution to NSSM 200 is wholly unclassified. The cover sheets are classified only because they identify the contents as a contribution to a NSSM. Only two copies of the attachment to Part 6 are enclosed. All agencies should have copies of this document in any event.

Any question or comment may be addressed to me on 351-5208 (note change in phone number).

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CENTRAL INTELLIGENCE AGENCY
Directorate of Intelligence

Contribution to NSSM 200
Implications of World-Wide Population Growth for US Security and Overseas Interests

Section II, c,5

Potential Attractiveness of Alternative Development Models

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5. Potential Attractiveness of Alternative Development Models

General Observations

1. Nation states have seldom sought or adopted particular development models because they served some other state well. A national state by its very existence is unique; and, to the extent it seeks to modify any given set of attitudes toward development, it may be expected to look toward a model which offers the least conflict with indigenous institutions rather than a model which is abstractly appealing. Even where a model is imposed from the outside, as in Eastern Europe under Soviet tutelage, it tends to develop strong distinguishing national characteristics.

2. To the extent that there is discernible improvement in per capita income in a given state, there will be little inclination to swap existing institutions for new, even in the presence of rapid population growth. Stagnant or declining economic growth, on the other hand, tends to create pressure for revision of economic models whether or not it is accompanied by rapid population growth. This search tends to seek economic solutions that will restore per capita income growth rather than for

systems of population control. Indeed, only China and Korea among our specific models have adopted national population control schemes. Population control requires a longer view than most governments take about anything but their national existence. Moreover, measures to control population require a period of gestation and application prior to any generally perceived result; this period exceeds the life of most governments.

3. The rapid rate of world population growth and the poor performance of the Communist states and, indeed, many mixed economies in producing an agricultural surplus should remind us that there is a worldwide need for an economic model that can encourage greater agricultural production. World grain stocks have been reduced to the level that the threat of starvation or revolt in some areas of the large grain-deficit nations may follow any serious departure from normal growing conditions. Several years of greater effort and favorable weather will be needed to restore an acceptable grain reserve situation. Widespread growth in per capita income would require an even larger increase in grain output.

4. Sustained economic growth culminating in an industrial urban society has usually led to severe reduction of population growth, irrespective of the economic model under which the growth took place -- for example, the United States, USSR, Japan, and both Western and Eastern Europe. On the other hand, no single economic model has shown a capability to control population growth and, indeed, none has shown any consistent attitude on the need for such control. The leaders of the People's Republic of China initially insisted that their system could provide economic growth sufficient to preclude a need for population control. They subsequently reversed this judgment, alleging a need to reduce the rate of population growth sharply. They have not been successful with either of these programs. The USSR has also been ambivalent about its population objectives. It experienced a falling rate of population growth when it was systematically seeking to increase the rate, and more recently the rate of population has increased as the government sought to maintain or reduce it.

5. The military states we observe in this study have no clearly defined population strategy,

although Brazil has opposed outside suggestions that it control its rapid rate of population growth. Peru has been so preoccupied with its development of an indigenous economic model that it has given no specific attention to a population control program. Brazil patently has little population pressure given its resource base and present economic growth. Peru clearly has considerable population pressure, and its growing population has been a serious deflator to an otherwise acceptable rate of economic growth.

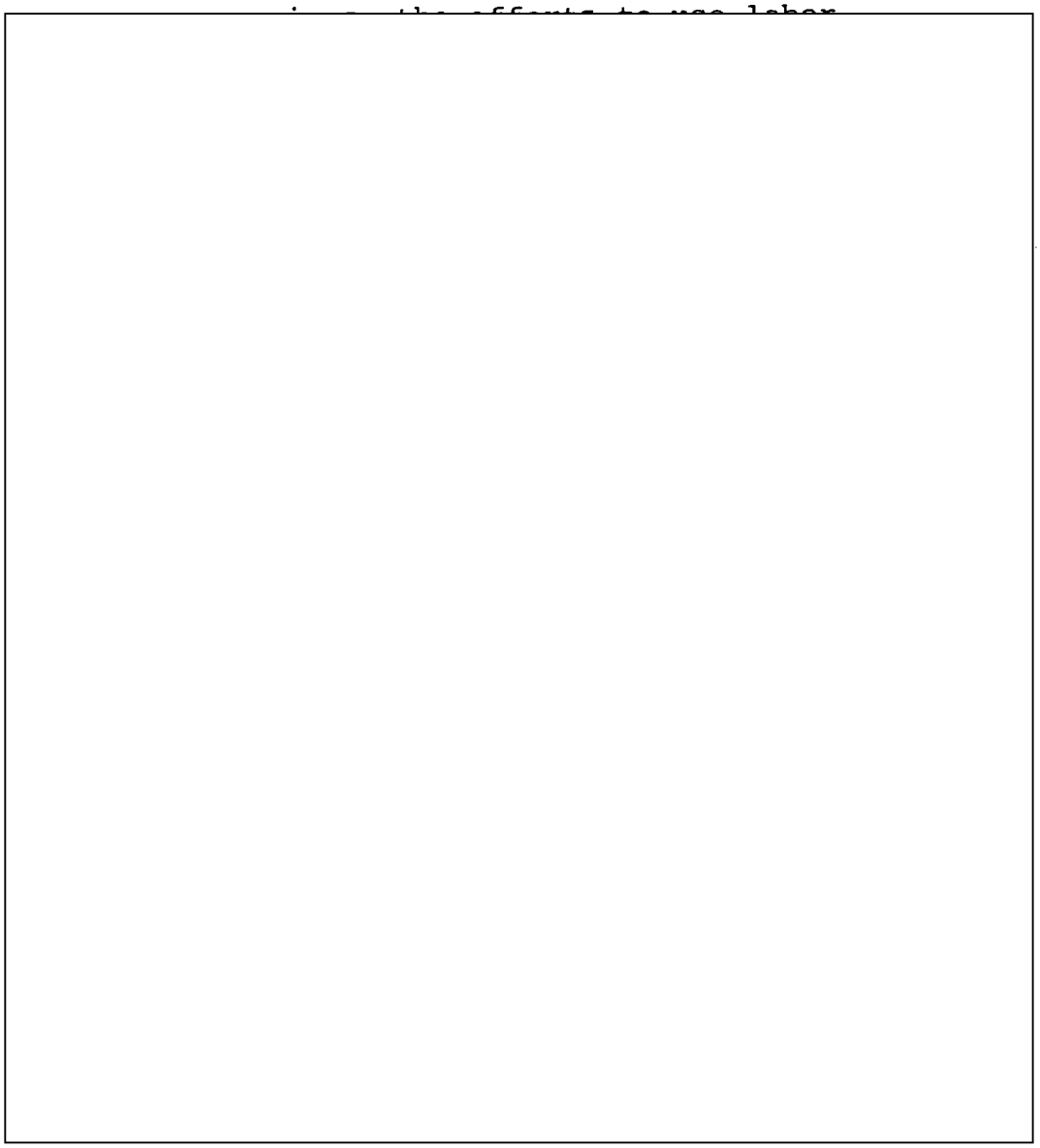
6. Our mixed systems also exhibit divergent population policies. India, with a relatively free society, democratic political institutions, a mixed market and planned economy, and a critical population problem for almost a generation continues to behave as if its population problem were newly found and of little consequence either to the people or to the government. India's halting economic growth has so little exceeded population growth that the vast majority of the population has seen no progress whatever. Yet there has been no concerted effort either to modify the economic model or to lower the population growth rate.

7. The Republic of Korea has achieved rapid economic growth, and also has made a concerted effort to reduce its rapid rate of population growth. This program has brought the population growth rate from more than 3% per year in the early 1960s to less than 2% today. Yet the main constituents of South Korea's population control effort have been adopted by several other nations without visible effect, suggesting that economic phenomena are at least equally responsible for its apparent success in population control.

8. Generalization on the value of economic models for national development is dangerous. Over the past generation in which interest in economic development has been particularly acute, a few generalizations suggest themselves. Marxist-Leninist models have been most successful in nations with a considerable natural resource endowment and at least a seminal industrial capability. They have done rather poorly when installed in relatively more modern, complex economies. China has had to greatly modify the operation, although not the structure of the Marxist-Leninist model in order to achieve development. This has been accomplished in spite of low per capita increases and

without substantial foreign aid. While building the modern sector, the Chinese have also given a high priority to the utilization of rural labor. Mixed economic models with a heavy dependence on the market system have been particularly effective in highly populated regions where the non-human resource base was inferior. Mixed systems tend to work best when government seeks to assure a vigorous, viable private sector as well as developing infrastructure and sometimes basic industry. Those that have used governmental intervention to dominate or weaken the private sector have been singularly unsuccessful.

9. One major development we expect over the next quarter century is the increasing politicization of international economic relationships, i.e., governments will play an increasing role in international markets and transactions. The manifestation of this trend in the efforts of the 77 in the United Nations, the Arab oil boycotts, and recent efforts to develop bilateral deals for oil is only a harbinger of what may come.



USSR

16. In the Soviet development model, economic decisions are made by administrative fiat instead of market signals. The characteristic institutions of the model include collectivized agriculture, public ownership of all industrial

enterprises and retail stores as well as transportation and communication facilities, and central planning by a combination of administrative and market mechanisms. The institutions are controlled by the Communist Party.

17. The basic objective of Soviet policy has been rapid economic development. At the core of Soviet growth strategy has been: (1) a high rate of investment in physical and human capital, (2) the concentration of investment resources in sectors that produce capital goods for further growth, (3) the use of capital-intensive technologies (borrowed in large part from the West) in favored sectors, while labor-intensive methods are used in ancillary processes, (4) investment in agriculture just large enough to allow this sector to provide the population with an adequate diet and industry with raw materials and workers, and (5) an international trade policy featuring import substitution -- that is, capital goods are imported in exchange for traditional exports until the imported capital can be used to insure self-sufficiency. In its development the USSR has thus followed the path of brute force -- depending on a fast-growing

labor force in the non-agricultural sectors and especially on large increments in fixed capital.

18. Only recently has the USSR begun to change its strategy. Falling investment returns and lower rates of population growth have forced the leadership to try to switch from an extensive to an intensive model -- that is, to pay more attention to improvements in efficiency as a source of economic growth.

19. The USSR has compiled an impressive growth record. The Soviet economy is now the second largest in the world; since 1929 the growth of Soviet GNP has exceeded that of the United States in this century and the long-run growth of other industrialized countries. But the model has been criticized as being wasteful and inefficient. Its dynamic efficiency -- the rate at which productivity increases over time -- has been less than that of Japan and most West European countries in the post-war years. In addition, the model's static efficiency -- measured by the level of output per unit of combined capital and labor -- is quite low compared with other developed countries. The model also sacrificed consumer welfare to the demands of priority development of heavy industry. Thus far,

Soviet industry has had a hard time satisfying the demand for consumer goods, especially from the standpoint of quality. The farm sector has been generally delinquent in providing a quality diet.

20. Although the development model worked well for the USSR in its major development period, the model could not be transplanted successfully to a large number of today's LDC's. Before the Revolution the Soviet Union already had an industrial base, was rich in natural resources, produced an agricultural "surplus" in normal years, and had no population problem -- in contrast to most LDCs. The model actually has not had a systematic population policy. The anti-Malthusian nature of Marxist-Leninist dogma precludes direct state efforts to control population growth. Nevertheless, various policies based on health and economic considerations may have influenced the course of the birth rate. Legalized abortions and high employment among women have dampened the rate, while family allowances, leave benefits for pregnant women, and extensive child-care facilities probably have increased it. The net effect of these policies cannot be determined. Most likely,

the rapid urbanization that accompanied development was primarily responsible for the drop in the birth rate from about 45 per thousand in the 1920s to its current 18 per thousand.

21. Some features of the Soviet development model's institutional framework and growth strategy may appeal to the LDCs, however. The clean sweep of the old institutions by the Soviet regime must interest some groups in those LDCs in which traditional ways block economic development. So much the use of "war economy" methods of planning, which were eventually effective in the total mobilization of the Soviet population for economic objectives and which ultimately succeeded in placing the country on the path of rapid economic growth. Even in the agricultural sector, the LDCs will recognize that structural change may be necessary to encourage the use of modern, scientific farm methods and to provide increased food and labor for the industrial sector. Indeed, the Soviet state was able to extract a surplus from collectivized agriculture for many years by means of its rigidly controlled procurement system.

22. As for Soviet growth strategy, high investment rates certainly promote economic development

but are not unique to the Soviet model. The emphasis on industrial development seems to be favored by many LDCs, which believe the industrial sector is the prime mover in attaining faster economic growth. These countries may be especially attracted to certain Soviet capital-saving techniques such as the use of labor-intensive methods in ancillary industrial processes, concentration on a few prime targets, multi-shift operations, and continued use of obsolescent plants. But the priority given to large-scale capital good industries seems possible only in countries having the natural and human resources and the required market potential necessary for their development. The model's neglect of the agricultural sector constitutes a critical weakness in terms of its usefulness for most LDCs. In fact, Soviet agricultural policy seems more a path to avoid because the LDCs need to provide large annual increments of food for a growing population. Finally, many LDCs are still unwilling to accept the totalitarian methods used by the USSR in collectivizing private farms, mobilizing manpower, and managing the economy.

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CENTRAL INTELLIGENCE AGENCY
Directorate of Intelligence

Contribution to NSSM 200
Implications of World-Wide Population Growth for US Security and Overseas Interests

Section II, E

Impact of Population Growth on China and the USSR

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USSR

11. The USSR has generally viewed world population growth with a mixture of apathy and disdain. Its attitude has been shaped by (1) a preoccupation with its own domestic situation of underpopulation and slow population growth, (2) an economic policy of self-sufficiency supported by an enormous resource base, and (3) population theories based on Marxian dogma that fail to recognize the potential world problem caused by an excess of humanity. But Soviet attitudes may be shifting. In part, the USSR may fear that population pressures and historic enmity will cause the People's Republic of China to push into the population vacuum of Eastern Siberia. In addition, the recent world

concern about pollution and energy and food supplies seems to be having some impact on Soviet thinking.

Population Trends in the USSR

12. Soviet attitudes about the threat of overpopulation have been heavily influenced by their own experience. With an estimated 252.2 million inhabitants in 1974, the USSR is the third most populous nation in the world, after the People's Republic of China and India. Nevertheless, the USSR is not densely populated; its overall density of 29 persons per square mile is less than half that of the United States and far lower than the densities of the industrialized nations of Western Europe and most of the larger nations of Asia. The Soviet people are heavily concentrated west of the Ural Mountains, in the European portion of the country; and even in these areas, population densities are low compared with those of European countries.

13. Population growth during the first half of the present century was retarded not only by the high mortality of World War II but also by World War I, the revolution, civil war, epidemics, famines, and political actions such as collectivi-

zation and purges. Between 1913 and 1950, the population within the present borders of the USSR increased at an average annual rate of only 0.3%. From 1950 to 1959, annual growth averaged 1.8%. Subsequently, birth rates declined while death rates increased, so that the population growth rate fell below 1.0% by 1968. The rate remained below that during 1969-74 and will probably continue rising slowly during the remaining part of the decade.

Population Policy

14. Historically, Soviet demographers have denied the existence of a population problem. They considered Malthus an apologist for the evils of capitalism and asserted that the misery he attributed to overpopulation was really due to the maldistribution of wealth. The Soviet Union has equated "overpopulation" with "relative surplus labor" that could be corrected by adopting Communism. This policy has led the USSR to oppose UN-sponsored population assistance programs. In particular, the Soviets considered developing countries misguided for promoting birth control measures directly; much more would be accomplished, they claimed, if the resources devoted to birth control were channeled into economic development.

15. The prevailing belief that the most urgent domestic population problem is the declining birth rate probably reinforces the leadership's lack of concern about growing world population pressures. Domestic population policy has been ambivalent -- in some cases encouraging, while in others discouraging childbearing. Government programs and practices that tend to encourage childbearing -- family allowances, liberal leave policies, and numerous childcare centers -- coexist with those that tend to discourage it -- cheap abortions, the pressures on nearly all women to work, and crowded housing conditions. Although probably not by design, practices likely to depress the birth rate appear to be the more numerous, and many of the programs which may be construed as pro-natalist -- such as the family allowance system -- probably are not very effective.

16. In recent years, the Soviet media have reflected considerable concern over the decline in the birth rate, especially in the urban areas of the European portion of the country. Thus far, there is no evidence that the Soviet leadership has become sufficiently concerned to consider the adoption of any strong pro-natalist measures.

From a long-range point of view, the Soviet authorities probably would like to see a higher birth rate now in order to assure a larger labor force in the future, particularly since they are reminded constantly that the recent tight labor supply has resulted in large measure from the low birth rates of the 1940s. On the other hand, a substantial rise in the birth rate would have several more immediate consequences that might not be desirable. More women would have to leave the labor force to bear and raise children, and larger investments would have to be made in child-care and educational facilities, housing construction, and the production of consumer goods.

Resource Position

17. The Soviet Union's relative isolation from world markets also accounts in part for its indifference to the world's population problems. Although Soviet agriculture is somewhat erratic because of the severe continental climate and organizational inefficiencies, the USSR has been basically self-sufficient in food. Also, the USSR has had abundant supplies in nearly all minerals, metals, and energy resources. In the mid-1960s, a Soviet demographer expressed the USSR outlook as

follows: "Even with very great population growth in the USSR, its situation with regard to resources used will remain completely favorable." Indeed, as a raw materials exporter, the Soviet Union has been able to cash in on rising prices for world resources.

Developing Problems

18. Recent developments may alter Soviet complacency with respect to population growth. First, Brezhnev's program to provide more meat in the Soviet diet has pulled up the demand for feed-grains faster than farms have been able to increase production. This has forced massive imports of grain wherein the USSR has had to compete with other supplies and needs in the USSR is not likely to improve fundamentally in the foreseeable future. Second, Soviet petroleum officials now complain about the headaches the world energy crisis has caused them. They claim, for instance, that the USSR does not have enough oil simultaneously to meet its own requirements, to fill the needs of other socialist countries, and to continue to expand deliveries to established markets in other countries. For other raw materials, too, rising domestic demand and depletion of readily accessible reserves will gradually erode the USSR's advantage

in the longer term. As political relations with China deteriorated in the 1960s, the USSR responded with a massive military buildup along the Chinese border. In addition, the government adopted a migration policy in May 1973 designed in part to settle more farmers in agricultural lands along the Chinese border. The migration decree covers rural resettlement throughout the Soviet Union, but emphasizes particularly the Chinese border districts. Benefits under the new decree include lump sum payments, tax exemptions, building loans, and extended vacations with travel allowances.